

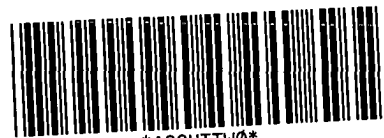
Elatel Holdings Limited

Annual report and financial statements

Registered number 03467925

31 March 2020

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Company information

Registered number	03467925
Directors	P Blackburn C Lim
Secretary	C Lim
Independent auditors	Grant Thornton UK LLP Southampton Science park Chilworth Southampton Hampshire SO16 7QJ
Banks	HSBC 9 Wellesley Road Croydon Surrey CR9 2AA
Registered office	Elateral House Crosby Way Farnham Surrey GU9 7XX

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Strategic report

Overview

The directors present the Strategic report, Directors' report and the financial statements of Elateral Holdings Limited (the 'Company') for the year ended 31 March 2020.

The principal activity of the Company during the year was to act as an intermediate holding company. The Company has minimal activities and its financial position is therefore dependent on the financial position of the rest of the Elateral group (the 'Group'). The principal activity of the Group comprises development and sale of marketing automation software and associated services.

The Group continues to invest heavily in developing its new digital marketing platform, Brandgility, which offers a step change in flexibility, speed and capability including self-service template creation, a fast onboarding process and the production of customised web banners at scale. The associated cost of development has not been capitalised in the accounts.

From March 2020 onwards, there has been significant disruption to the world economy due to Covid-19. The business has been well placed to withstand these financial pressures as it primarily sells annual licences to customers in a wide range of industries. Majority of staff have been able to continue to work effectively, such as our tech developers who are able to work remotely.

Nonetheless Elateral is not completely immune to all economic factors. We have therefore taken action to reduce our cost base in preparation for uncertain times ahead. We are expecting positive monthly EBITDA for the foreseeable future.

Business review and results

The following summarises key performance indicators used by the directors to assess the performance of the Company.

Movement year on year:

	2020 £000	2019 £000	Change
Net assets	3,313	5,370	(38.3%)
Operating profit/(loss)	(2,057)	(247)	(732.8%)

Loss for the year includes impairment of investments.

Principal risks and uncertainties

The Company is exposed through the operations of the Group to the following risks:

- Technology risk
- Foreign exchange risk
- Going concern and liquidity risk
- Covid-19

The Company and Group are exposed to risks facing software businesses. This section describes the Company's objectives and policies and procedures for managing those risks.

Technology risk

Client requirements and the technological environment in which we operate is constantly changing. The Group is continuing to invest heavily in technology and innovations in order to drive client satisfaction and win new business.

Strategic report (continued)

Foreign exchange risk

A significant percentage of the Group's revenue is derived in US Dollars, whilst most of its cost base, is in Pound Sterling. Hence there is a risk that the relative strength of the two currencies could impact revenues and profitability of the Group. Accordingly, the directors closely monitor fluctuations in the exchange rate.

Going concern risk

The Company's financial position is dependent on the financial condition of the rest of the Group.

The Board has reviewed the Group's latest forecasts and the directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the annual report and financial statements.

Covid-19

The Company's financial position is dependent on the financial condition of the rest of the Group.

The principal risk to the Group as a result of COVID-19 is considered to be a fall in demand of licences or services, whether due to non-renewals from existing customers or lack of new customer contracts in relation to license revenue.

The impact of COVID 19 has been considered by the Board. This position is live and evolving, the Board will continue to monitor and respond to it as necessary on a regular basis. The risk associated with potential non-renewals of license contracts with key customers at Group level has been reviewed. At the date of signing this report, 48% of licence revenue to be generated from existing clients over the next 12 months, have already been contractually signed, thus mitigating the overall impact of this risk.

Customer non-payment of bills is not considered a significant risk due to the proportion of renewed licenses which have been invoiced and paid up front. The Group also have an invoice factoring facility in place for up to £0.8m which automatically renews every six months under the terms of the contract until termination by the Group. This is considered to mitigate the potential risk to short term working capital.

More detail regarding the assessment of the impact of COVID-19 has been discussed within the going concern section below.

Financial position

The Statement of financial position continues to show investments in the group companies. Management has reviewed factors for impairment in light of COVID-19, discount factors and future cash flows from contracts have been considered. Investment value in relation to subsidiary undertakings was impaired by £3.1m during the year, taking the total value of investments to £3.1m (2019: £6.2m).

Financial outlook

The Group continues to invest heavily in its new digital marketing platform, Brandgility. The Group believes that Brandgility will be the category leader for marketing content customisation at scale which will result in long term financial success.

By order of the board



C Lim
Director

10 July 2020

Directors' report

Directors

The directors who held office during the year and up to the date of approval of these financial statements were as follows:

P Blackburn
C Lim

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil).

Future developments

See Strategic report for impact of Covid-19 on the business.

The Company is an intermediate holding company which is part of a group. Looking ahead, the Group continues to invest heavily in Brandgility. The Group believes that Brandgility will be the category leader for marketing content customisation at scale which will result in long term financial success.

Events since the Statement of financial position date

The directors have not identified any events since the balance sheet date.

Matters covered in the Strategic report

Discussions of going concern, financial risk management and future developments, have been included in the Strategic report.

Financial risk management objectives

Objective is to contain exposure to financial risks and preserve operating cashflows.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk arises as the Group operates in a competitive industry and therefore faces some price risk. The directors periodically assess market conditions and price accordingly.

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts.

Liquidity risk and cashflow risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The directors review cash balances on a periodic basis and forecast cash requirements throughout the year to ensure sufficient cash is available.

Political donations

The Company did not make any political donations nor incurred any political expenditure during this or the previous financial year.

Disclosure of information to the auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



C Lim
Director

Crosby Way
Farnham
Surrey
GU9 7XX
10 July 2020

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



C Lim
Director

Elaterral House
Crosby Way
Farnham
Surrey
GU9 7XX
10 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELATERAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Elateral Holdings Limited (the 'company') for the Period ended 31 March 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the company's loss for the Period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial Period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Norman Armstrong BSc FCA
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Southampton

Date: 10/07/2020

Statement of comprehensive income
for the year ended 31 March 2020

	<i>Note</i>	2020 £'000	2019 £'000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		(2,057)	(247)
		<hr/>	<hr/>
Operating profit/(loss)		(2,057)	(247)
Interest payable and similar expenses		-	-
		<hr/>	<hr/>
Operating (loss)/profit before taxation	2	(2,057)	(247)
Tax on loss/profit	4	-	-
		<hr/>	<hr/>
Profit/(Loss) for the financial year		(2,057)	(247)
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		(2,057)	(247)
		<hr/> <hr/>	<hr/> <hr/>

The results for the current and preceding year all relate to continuing activities.

The accompanying notes on pages 12 to 19 form part of these financial statements.

Statement of financial position

At 31 March 2020

	<i>Note</i>	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	5		3,100		6,241
Current assets					
Debtors	6	2,299		71	
Creditors: amounts falling due within one year	7	(2,086)		(942)	
Net current liabilities			213		(871)
Net assets			3,313		5,370
Capital and reserves					
Called up share capital	8		6,895		6,895
Share premium account			14,964		14,964
Profit and loss account			(18,546)		(16,489)
Shareholders' funds			3,313		5,370

These financial statements were approved by the board of directors on 10 July 2020 and were signed on its behalf by:



C Lim
Director

The accompanying notes on pages 12 to 19 form part of these financial statements.

Statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Profit & loss account £'000	Total equity £'000
Balance at 31 March 2019	6,895	14,964	(16,489)	5,370
Loss for the financial year	-	-	2,057	2,057
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>2,057</u>	<u>2,057</u>
Total contributions by and distributions to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 March 2020	<u><u>6,895</u></u>	<u><u>14,964</u></u>	<u><u>(18,546)</u></u>	<u><u>3,313</u></u>

The accompanying notes on pages 12 to 19 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

1 Accounting policies

Elateral Holdings Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 03467925 and the registered address is Elateral House, Crosby Way, Farnham, Surrey GU9 7XX.

Elateral Holdings Limited is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company.

Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' : Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Going concern

The Company is an intermediate holding company and has net assets and very limited ongoing commitments.

The Company is part of a wider group and its financial position is in part dependent on the financial position of the rest of the Elateral group (the 'Group'). From March 2020 onwards, there has been significant disruption to the world economy due to Covid-19, this has had little impact on the Group's operational capability which has continued with teams working remotely. The Group has taken advantage of various government schemes including the UK furlough scheme for two employees, the US payment protection scheme resulting in cash inflows of £107k and a £50k inflow from the UK government Bounceback loan scheme.

In preparing Group forecasts through to 31 July 2021, the directors performed a detailed assessment of the following risk factors - new licence sales, licence renewals and service revenues. Key assumptions made include the majority of licences renewing and that they continue to be mainly paid annually in advance. Forecast revenues, take into consideration that 48% of licence revenue to be generated from existing clients over the next 12 months, have already been contractually signed, and consider the majority of renewals probable given longstanding relationships and integrations with client systems. The forecast includes highly conservative estimates of new customer license revenues and other revenues. Action has also been taken to reduce Group cost base by 25% in preparation for uncertain times ahead. The directors expect these actions to result in positive monthly Group EBITDA for the foreseeable future and positive cash position throughout the next 12 months.

The Company is dependent for its long-term finance on funds provided to it by Elateral Group Limited, its ultimate and immediate parent company. Elateral Group Limited has indicated that for at least twelve months from the date of approval of these financial statements, they will not seek repayment of the amounts currently due from the Company.

Notes to the financial statements for the year ended 31 March 2020 (continued)

The directors are also aware that the board of Elateral Group Limited has approved the Group's operating plan, including a cash forecast, for the period to 31 July 2021. The cash forecast shows that the Group will require no further funding for the foreseeable future.

As such, the Board is satisfied that the Company will continue to have sufficient cash for its operations and will be able to meet its liabilities as they fall due during the period to 31 July 2021 and thereafter, including the parent company continuing to provide any necessary financial support to the Company.

The directors therefore continue to adopt the going concern basis when preparing the financial statements.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Statement of financial position date.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of financial position date. Exchange differences are included in the Statement of comprehensive income.

Investments

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Notes to the financial statements for the year ended 31 March 2020 (continued)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Pension costs

The Company's subsidiary operates a defined contribution pension scheme for directors. The assets of the scheme are held separately from those of the Company. The pension charge represents the amounts payable by the Company's subsidiary to the fund in respect of the period.

The directors of the Company are also directors of other group companies. The directors' services to the Company do not occupy a significant amount of their time. As such the directors do not consider that they received any remuneration for their incidental services to the Company for the years ended 31 March 2020 and 31 March 2019.

Accounting estimates and judgements

The preparation of the accounts required management to make certain estimates and judgements.

Covid-19

From March 2020 onwards, there has been significant disruption to the world economy due to Covid-19. As the situation around covid-19 is constantly evolving, in preparing our financial forecasts at Group level, we have used our best estimate of key assumptions and judgements underlying the forecasted results.

Impairment of investments

Management has reviewed factors for impairment in light of COVID-19, discount factors and future cash flows from contracts have been considered. Investment value in relation to subsidiary undertakings was impaired by £3.1m during the year, taking the total value of investments to £3.1m (2019: £6.2m).

Notes to the financial statements for the year ended 31 March 2020 (continued)

2 Auditor's remuneration

	2020 £'000	2019 £'000
Audit of the financial statements	4	2
Total audit services	<u>4</u>	<u>2</u>
Tax compliance services	1	1
Total non-audit services	<u>1</u>	<u>1</u>

3 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020 £'000	2019 £'000
Directors' emoluments	266	213
Company contributions to defined contribution pension scheme	19	14
	<u>285</u>	<u>227</u>

Remuneration of highest paid director:

	2020 £'000	2019 £'000
Total emoluments (excluding pension contributions)	164	166
Company contributions to defined contribution pension scheme	11	11
	<u>175</u>	<u>177</u>

The number of directors to whom retirement benefits are accruing under the defined contribution pension scheme during the year ended 31 March 2020 was 2 (2019:2).

The directors of the Company are also directors of other group companies. The directors' services to the Company do not occupy a significant amount of their time. As such the directors do not consider that they received any remuneration for their incidental services to the Company for the years ended 31 March 2020 and 31 March 2019. The amounts included above represent amounts paid to the directors by the Company's subsidiary in respect of services rendered to the subsidiary.

Notes to the financial statements for the year ended 31 March 2020 (continued)

4 Taxation on (loss)/profit on activities

There was no current or deferred tax for the year or the prior year.

Factors affecting the tax charge for the current period

The current tax credit for the period is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

	2020	2019
	£'000	£'000
<i>Current tax reconciliation</i>		
Profit/(Loss) on activities before tax	(2,057)	(247)
	<hr/>	<hr/>
Current tax at 19% (2019: 19%)	(391)	(47)
<i>Effects of:</i>		
Current year losses for which no deferred tax asset was recognised	391	47
	<hr/>	<hr/>
Total current tax credit (see above)	<hr/> <hr/>	<hr/> <hr/>

The unrecognised deferred tax asset in respect of UK trading losses and capital allowances versus depreciation was £811,000 (2019: £214,000). No deferred tax asset is recognised in respect of these losses as there is insufficient evidence that they will be recovered.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. These will reduce the Company's future current tax charge and any deferred tax asset accordingly.

On 11th March the Chancellor announced that corporation tax rates would remain at 19% and not decreased to 17% as previously legislated. When legislated this will impact deferred tax assets/liabilities which are currently held at a 17% rate.

Notes to the financial statements for the year ended 31 March 2020 (continued)

5 Investments

	Shares in group companies £'000	Loan to group company £'000	Other £'000	Total £'000
Cost at 1 April 2019	1,201	5,000	40	6,241
Impairment	-	3,141	-	3,141
<i>Net book value</i>				
At 31 March 2020	<u>1,201</u>	<u>1,859</u>	<u>40</u>	<u>3,100</u>
At 31 March 2019	<u>1,201</u>	<u>5,000</u>	<u>40</u>	<u>6,241</u>

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights	Nature of business
Elateral Trustees Limited *	England	Ordinary shares	100%	Employee share ownership Trust
Elateral Inc **	USA	Ordinary shares	100%	Sales of marketing solutions
Elateral Limited *	England	Ordinary shares	100%	Software development and sales

All subsidiaries are directly owned by Elateral Holdings Limited.

The loan to group company is a permanent loan considered to be part of the original funding of the subsidiary.

The other investment is a loan to Elateral Trustees Limited.

During the year, Elateral GmbH*, a 100% owned subsidiary incorporated in Germany, was dissolved and ceased to be a subsidiary.

All subsidiary results have been included in the consolidation of Elateral Group Limited.

* Registered address: Elateral House, Crosby Way, Farnham, Surrey, GU9 7XX

** Registered address: Suite 300, 1 Westbrook Corporate Center, Westchester, IL 60154

6 Debtors

	2020 £'000	2019 £'000
Other debtors and prepayments	22	71
Amounts due from group undertakings	2,277	-
	<u>2,299</u>	<u>71</u>

Notes to the financial statements for the year ended 31 March 2020 (continued)

7 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	113	165
Accruals and deferred income	195	157
Amount owed to group undertakings	1,778	620
	2,086	942
	2,086	942

8 Capital and reserves

Allotted, called up and fully paid

	2020 £'000	2019 £'000
6,895,052,866 ordinary shares of £0.001 each (2019: £0.001)	6,895	6,895
	6,895	6,895
	6,895	6,895

The ordinary shares of £0.001 (2019: £0.001) carry one vote each. There are no restrictions on distribution.

Called up share capital

Called up share capital represents the nominal value of shares issued.

Share premium account

The balance in the share premium account represents the amount paid over the nominal value of the shares.

Profit and loss account

Cumulative profits, losses and total other comprehensive income.

9 Related party transactions

Consultancy fees of £30k (2019: £30k) are payable to Albion Ventures Limited, LMS Capital Plc and Gresham House Asset Management Ltd who manage the institutional investor shareholdings in Elateral Group Ltd. Unpaid fees (net of VAT) of £95,000, £58,500 and £43,500 was owing to each party respectively (2019: £80,000, £56,000 and £31,000). No interest is accruing in these amounts and they are repayable upon investor exiting the business.

The amount incurred for chairman fees during the year was £51,000 (2019: £91,000)

The amount incurred for the non-executive director fees during the year was £15,000 (2019: £11,000)

Notes to the financial statements for the year ended 31 March 2020 (continued)

10 Capital commitments

The Company had no capital commitments as at the 31 March 2020 or 31 March 2019.

11 Financial commitments

The Group has a cross guarantee which includes Elateral Group Limited, Elateral Holdings Limited and Elateral Limited and secures commercial card and BACS facilities. The total balance in relation this at 31 March 2020 was £8,249.

12 Events after the reporting period

The directors did not identify any post balance sheet events at the date of signing these financial statements.

13 Ultimate parent company and controlling parties

The Company is a subsidiary undertaking of Elateral Group Limited, a company registered in England and Wales. Copies of the Directors' report and financial statements of Elateral Group Limited can be obtained from the company secretary at the registered office address, Elateral House, Crosby Way, Farnham, Surrey, GU9 7XX. There is no ultimate controlling party.